

TESTIMONY

of

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Before the

United States Senate

Committee on Small Business

And Entrepreneurship

Hearing on

“Recovery Act for Small Businesses: What is Working and What Comes Next?”

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HOLD UNTIL RELEASED BY THE COMMITTEE

Good morning Chairman Landrieu, Ranking Member Snowe, and Committee Members. I am Linda Oliver, Acting Director of the Office of Small Business Programs of the Department of Defense.

Thank you for the opportunity to appear before you today to talk about whether small business contracting goals are being met by the Department of Defense (DoD) with respect to Recovery Act contracting opportunities. Your question is more complicated than it appears to be. The quick answer is, “yes”; the more nuanced answer is that we are continuing to work the problem.

As you probably know, the DoD small business goal for 2009 was 22.375 percent. As of September 25, 2005, DoD had obligated about half of its Recovery Act funds and about 56 percent of those funds had been awarded to small business firms. Hence, as a matter of arithmetic, DoD is exceeding both the DoD goal and the Government-wide goal where the Recovery Act funds are concerned. The goal, though, is only a goal. The law and the regulation require DoD to afford small businesses maximum practicable opportunity. The OMB guidance directs that contracts funded by the Act maximize opportunities for small businesses to compete for agency contracts and to participate as subcontractors. If we follow the law, and OMB’s guidance, we must continue to court small businesses, notwithstanding our success.

The DoD Recovery Act team has given special attention to identifying contracting opportunities for the Recovery Act funds, and has placed particular emphasis on reaching small businesses. We intend to continue those efforts. However, we know that we are just entering the most difficult phase for small businesses because there are several large projects, such as new hospital construction, that exceed the capabilities of small businesses.

Today I will give you some background and general information about the efforts of the DoD Recovery Act team. I will then provide an overview that summarizes the small business contract award data and the initial results of our Recovery Act contracting actions to date. I will also highlight some of our work to educate DoD employees about the Recovery Act, and some of our external training and outreach efforts to promote small business opportunities. The initiatives and actions have, I think, helped us to increase the number of small business awards. Finally, I will discuss some general conclusions.

DoD Implementation of The American Recovery and Reinvestment Act of 2009

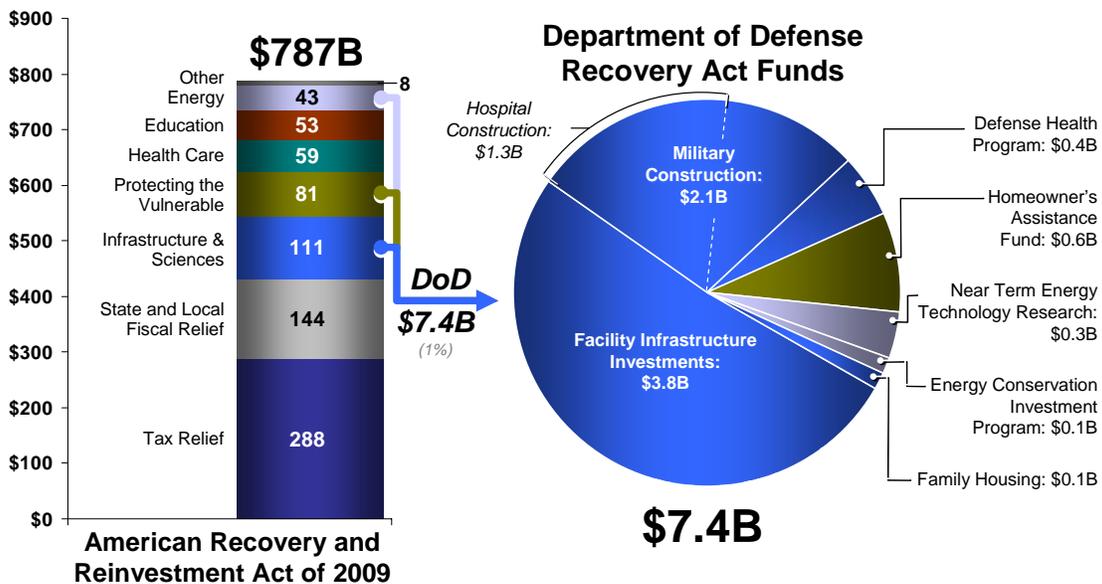
Under the Recovery Act, the Department has \$7.4 billion in funding for contracts and related actions. DoD is to use those funds to improve the quality of life of our troops and their families. Military construction projects account for \$2.18 billion facility sustainment, restoration and modernization projects account for \$4.26 billion. Together, these two areas constitute more than 85 percent of the total DoD Recovery Act funds.

Shortly after the Recovery Act was signed into law by the President, the Office of the Comptroller for Department of Defense established a working group to manage the Department's oversight, reporting and response needed to meet the requirements contained in the Act. In addition to members from the DoD finance and acquisition offices, working group members include representatives from the Departments of the Army, Navy and Air Force as well as individuals from the Office of Management and Budget and the DoD Office of the Inspector General.

The stimulus funds received by DoD, illustrated in the chart below, are divided into seven program areas: military construction, facility infrastructure investments, homeowners' assistance fund, defense health, near-term energy efficiency technology demonstrations and research, family housing, and energy conservation and investment.

Defense Represents 1% of Recovery Act

(Dollars in Billions)



Source: Recovery.gov, American Recovery and Reinvestment Act of 2009

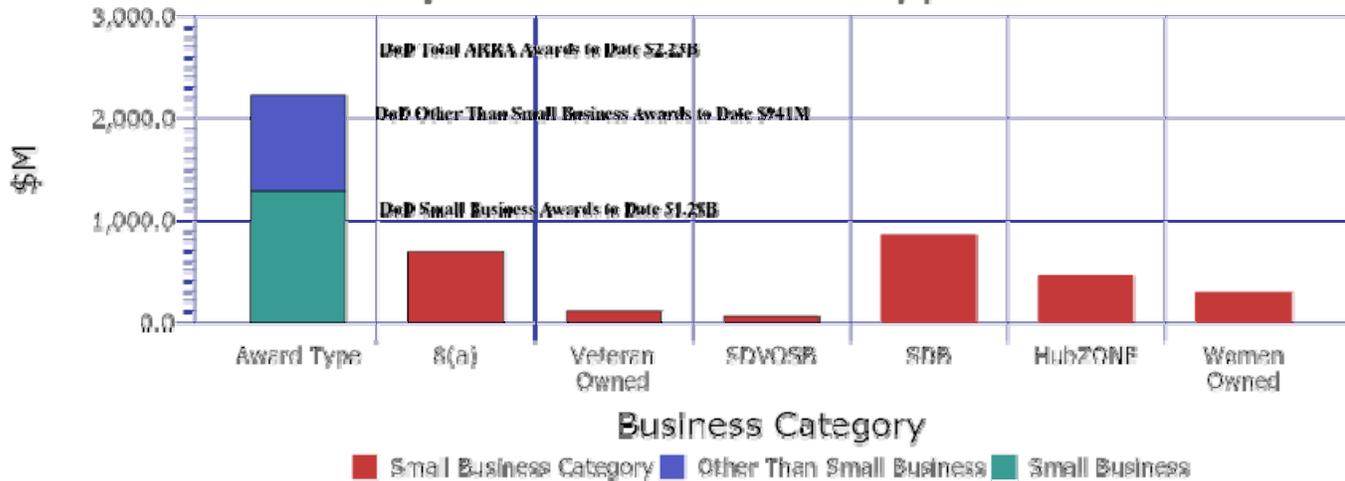
On May 15th, in response to the Recovery Act reporting requirements, the Department of Defense published its agency plan. The plan included a general overview that addressed its overall approach to award Recovery Act funds, and mentioned that it had identified over 4,000 construction, facility repair, and research projects for award using these funds. The plan emphasized that DoD would move swiftly to initiate the contracting process to award contracts for these projects.

In addition to publishing its agency plan, DoD published detailed tables listing individual projects by state in its Military Construction and Facilities Restoration Plans. These DoD Recovery Act Plans also include the following Statement on Small Business:

The Department is committed to maximizing small business opportunities within Department of Defense acquisitions and recognizes that small businesses play a critical role in stimulating economic growth and creating jobs, which is one of the primary goals of the Recovery Act. The Department adheres to the Federal Acquisition Regulations Part 19, Small Business Programs, which allows agencies to make awards both competitively and noncompetitively to various types of small businesses. The use of socio-economic programs enables contracting activities to maximize small business participation in federal contracting. The Department will make every effort to provide maximum practicable opportunities for small businesses to compete for agency contracts and to participate as subcontractors in contracts that are awarded using Recovery Act funds. Department of Defense contracting activities will work with their small business offices and coordinate with the Department's Office of Small Business Programs to maximize small business opportunities that use Recovery Act funds.

Summary of DoD Recovery Act Contract Awards to Small Businesses

DoD Small Business Awards by Small Business Type



The data presented in the table above is based on an extract of information reported by the U.S. Treasury and supplied via the fpdsng.gov web site on Recovery Act expenditures. The date of the data extraction was September 25, 2009. This data has not as yet been validated.

DoD award information has been separated from this government-wide transaction set and further segmented by small business awards. The determination of Small Business awards was based on the classification of the Contracting Officer's Business Size Determination field. The resulting information set constitutes the source of the data I will be speaking to today.

The September 25, 2009 Recovery Act report shows that the Department of Defense has awarded \$2.2 billion, or 31 percent., of the \$7.4 billion it is responsible for awarding in Recovery Act funds. Of the \$2.2 billion awarded, approximately \$1.3 billion or 58 percent has been awarded to small businesses. The FPDS-NG data currently reports only prime contract awards. There are probably subcontracts awarded by the prime contractors to small businesses.

The small business awards using Recovery Act funds have been dispersed in the following manner when considering the traditional classifications of qualified small business types:

- Socio-economically Disadvantaged Business (SDB) - \$849 million or 66 percent of small business awards
- 8(a) firms - \$689 million or 53 percent of small business awards
- HUBZone firms - \$450 million or 35 percent of small business awards
- Women-Owned Small Businesses - \$292 million or 23 percent of small business awards
- Veteran-Owned Small Business - \$104 million or 8 percent of small business awards
- Service-Disabled, Veteran-Owned small business - \$58 million or 4 percent of small business awards

Training and Outreach Efforts Initiated to Promote Small Business Opportunities

Communication is a powerful tool, and DoD has used it extensively to promote small business under the Recovery Act. Earlier this year I testified before the U.S. House Committee on Small Business and shortly thereafter was a panelist at the Pennsylvania 7th Congressional District Business Procurement Summit, hosted by Congressman Joe Sestak. On both occasions I stressed the need for dialogue with our key stakeholders regarding the importance of small business.

Since the enactment of the Recovery Act, DoD leadership has stressed the importance of the Recovery Act, and the Department's role in shaping the turnaround of the U.S. economy. Although not the first time the sentiment has been expressed, the Department's message has been clear – small business are the engine of the U.S. economy and the mainstay of the Defense industrial base.

What follows is a brief but not all inclusive summary of our communication efforts:

- Commanding officers throughout the DoD enterprise have advised their personnel to give small business top priority in terms of receiving stimulus funding.
- In May, my office sponsored DoD's Small Business Training conference. This annual conference provides training to DoD small business specialists and contracting officers. Its purpose is to reinforce DoD's commitment to improve our small business program and to ensure that small businesses

are afforded the maximum opportunity to participate in acquisition programs across the Department. This year we had over 300 small business advocates and other members of DoD's acquisition community in attendance. It was a perfect venue to provide key information about the Recovery Act and to stress the importance of small business in the recovery of the American economy.

- The DoD Office of Small Business Programs has used distance learning techniques to educate acquisition professionals and small business. Webinars have proven to be an effective tool for this purpose. DoD's Webinar "The American Recovery and Reinvestment Act – increasing opportunities for Small Business" provided information for identifying opportunities for small business relevant to the Recovery Act. This Webinar reached a wide audience of DoD, other Federal agency, and private sector acquisition professionals. We also use our Website to provide useful information on all aspects of the Recovery Act.
- The DoD Office of Defense Procurement and Acquisition Policy (DPAP) has used its own Website to educate Defense acquisition personnel. It has posted information concerning the Act itself as well as the guidance issued by the Office of Management and Budget. The Website also provides direct access to the Federal Reporting portal.
- In keeping with its education thrust, DPAP was instrumental in the modification of several DoD training courses, to ensure they adequately addressed the Recovery Act. Chief among these is CON 353, the capstone contracting class for DoD contracting officers.
- The DoD Comptroller has repeatedly emphasized the role of small business in the Recovery Act, most recently in an article it published in the Armed Forces Comptroller Quarterly Magazine.

DoD relies heavily on the support of the private sector to fulfill its obligation under the Recovery Act. To foster an environment of cooperation and partnership, our communication needed to extend well-beyond the boundaries of the DoD enterprise. A sampling of these efforts is described below:

- In August, I delivered a presentation to members of the Tribal Economic Development Summit in Billings, Montana. This briefing served as an outreach effort to highlight mechanisms to increase contracting opportunities for small businesses under the Recovery Act.

- I also spoke at the Congressional Forum on Exploring Minority Business Opportunities within the Federal Government and the National Small Business Association Conference, again emphasizing the role of small business in achieving the goals of the Recovery Act.
- My Deputy Director delivered a well-received presentation focusing on the importance of small business under the Recovery Act during the National DoD Small Business Innovation Research/Beyond Phase II Conference.
- A member of my staff was the keynote speaker at the Annual Native American and Veterans Business Conference and Trade Show in Tualip, Washington on September 16. During his keynote presentation, members of the audience were apprised of the latest information regarding the American Reinvestment and Recovery Act.
- The Deputy Director of Defense Procurement & Acquisition Policy (DPAP) gave a speech during the DoD Recovery Act Industry Day, asking for the cooperation of DoD contractors in finding opportunities for small business under the Recovery Act.
- A senior staff member from the office of the Deputy Undersecretary of Defense for Installations and Environment has been working closely with the Society of American Military Engineers to engender their support in the success of the Recovery Act. A number of these events focused on small business. He is also drafting an article that will soon be published in the Engineering News Record that will address this same subject matter.
- In December of this year, the Society of American Military Engineers will also sponsor a special small business conference to address DoD engineering, construction, and environmental programs. This is a major event for those engaged in the field of Defense procurement, program management, and small business advocacy. Small business representatives will also be in attendance. The Recovery Act will be one of the major topics to be discussed.

General Conclusions

From the beginning, DoD's Recovery Act team has targeted small businesses as one of the principal recipients for military construction and for the facility sustainment, restoration and modernization projects. Furthermore, the team oversaw training of the DoD acquisition community – especially the contracting officers and small business specialists – so that they knew about the DoD projects and plans. This transparency, along with accurate forecasting of forthcoming contracting opportunities, has helped small businesses learn about

these opportunities in time to respond. In particular, the identification of these projects by the DoD small business specialists early in the acquisition planning process has helped provide opportunities. Additionally, many of the projects were building projects; we are blessed with a wealth of small businesses whose business is construction, refurbishment, and building improvements.

I remain optimistic about how small businesses will fare during the expenditure of the second half of our Recovery Act funds. We look forward to more awards to small business, even though we realize that in the second half more awards will be made to large businesses than to small businesses. The acquisition and planning processes that we are following will remain in place so we will surely continue to provide maximum practicable opportunities to small businesses.

Thank you. I would be pleased to answer your questions.